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MPIfG Working Paper 09/13

Wolfgang Streeck

**Flexible Employment, Flexible Families,
and the Socialization of Reproduction**

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for the Study of Societies

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Abstract

The progress of markets erodes traditional relations of social solidarity that are essential for the stability and performance of societies. As markets advance, pressures build on the state to replace informal social obligations with formal ones. Regulation may fail, however, which tends to give rise to demands for public services substituting for private reciprocity and compliance with institutionalized normative expectations. As a result, demands on public finances increase. The paper demonstrates this sequence by describing how the pressures and attractions of labor markets undermined the “Fordist family” of the 1960s; how the complex interaction between increasingly more flexible employment and loosening family structures resulted in declining fertility in a variety of modern societies; and how providing for societies’ physical reproduction increasingly became a matter of public policy in some countries but not in others. Parallels are drawn to active labor market policy and the recent rescue of the money-making industry by Western governments. Moreover, special attention is paid to differences between countries, especially Sweden on the one hand and the United States on the other, in particular to the conditions under which governments apparently can afford not to heed calls for ever deeper and ever more expensive intervention in social relations. Exploring the increasingly negative relationship between fertility and “familialism,” the paper also shows how advanced commodification of labor and individualization of social life has effectively made it impossible to return to traditional social arrangements, such as the postwar family.

Zusammenfassung

Mit der Ausbreitung von Märkten zerfallen traditionale solidarische Beziehungen, die für soziale Stabilität und das Funktionieren von Gesellschaften von Bedeutung sind. Damit nimmt der Druck auf den Staat zu, informelle Verpflichtungen durch formelle zu ersetzen. Staatliche Regulierung sozialen Handelns stößt jedoch auf Grenzen. Die Folge sind Forderungen an den Staat, den Ausfall privater Reziprozität und mangelnde Befolgung formalisierter Verhaltenserwartungen durch Bereitstellung öffentlicher Dienstleistungen zu kompensieren. Als Ergebnis wachsen die Ansprüche der Gesellschaft an die staatlichen Finanzen. Das Papier verfolgt diese Sequenz am Beispiel der Auflösung des „Fordistischen“ Familienmodells der 1960er Jahre unter dem Druck sowohl der Zwänge als auch der Attraktivität zunehmend offener, deregulierter Arbeitsmärkte. Es zeigt, wie die komplexe Interaktion zwischen flexiblerer Beschäftigung und lockereren Familienstrukturen zu einem Rückgang der Geburtenraten in verschiedenen modernen Gesellschaften führte und wie als Folge die physische Reproduktion der Gesellschaft in einigen, aber nicht in allen Ländern zu einem legitimen Gegenstand öffentlicher Politik wurde. Das Papier verweist auf Parallelen mit der aktiven Arbeitsmarktpolitik und der kürzlichen Rettung der Geldindustrie durch die westlichen Regierungen. Dabei zeigen sich erhebliche Unterschiede zwischen verschiedenen Ländern, wie den USA und Schweden, vor allem in Bezug auf das Ausmaß, in dem es den Regierungen möglich ist, Rufe nach immer tieferen und immer teureren Interventionen in soziale Verhältnisse zu ignorieren. Das Papier zeigt ferner anhand des zunehmend negativen Zusammenhangs zwischen Fertilität und einer „familialistischen“ Kultur und Sozialpolitik, wie die fortgeschrittene Kommodifizierung der Arbeit und die Individualisierung des sozialen Lebens eine Rückkehr zu traditionellen sozialen Arrangements, insbesondere der Familie, zunehmend ausschließt.

Contents

1	Flexible employment	6
2	Flexible families	14
3	Market attractions, market pressures	19
4	The socialization of reproduction	22
5	The United States: Low spending, high fertility	27
6	Germany: High spending, low fertility	28
7	Winding up the family	31
8	More market, more state?	33
	References	35

Free markets can be demanding on societies, and this in turn can be expensive for governments. The spread of markets undermines traditional social obligations and communal ways of life, draining important sources of social integration and stability. This is why capitalist market economies tend to generate a continuous stream of demands for social reconstruction by public policy. Relations of solidarity that become defunct with the advance of markets call for replacement with functionally equivalent public institutions; formal regulation must substitute for informal social control; mutual confidence needs to be restored where traditional self-restraint has eroded; and emerging new risks require containment and insurance by public authority.

Far from making the state disappear, capitalist progress continuously gives rise to new pressures for political compensation of its adverse side-effects on social life, and indeed on economic life as well. Instead of withering away, modern states seem to be experiencing a growing gap between a growing demand for reconstructive political intervention and the limited resources that a private economy and a free society are willing to concede to them to pay for it. In fact, a driving force behind political-economic liberalization in the past two decades seems to have been attempts of governments to defend their capacity to govern by returning responsibility for coping with the consequences of market expansion to societies and markets themselves. If nothing else, the current financial crisis is making states and governments face the central political question of how they can satisfy increasing demands for public intervention with the limited means they have available, and which social dysfunctions generated by an expanding capitalist market economy they can afford not to address. Which claims for reconstructive social surgery by public provision can governments fend off without causing unacceptable risks for political and social stability? What are the likely consequences of states being unable or unwilling to intervene in societies and economies in response to the socially destructive side-effects of expanding markets? And what are the conditions under which states can stand back and leave it to their societies and economies to deal with the social repercussions of markets and capitalism on their own?

Exploring the relationship between expanding markets, changing social structures and political intervention, the present paper looks at the way in which the physical reproduction of society has or has not become a subject of public policy in the course of the accelerated commodification of labor in the past two decades and the simultaneous transformation of the postwar family. It begins by recounting the advance of labor market flexibility after the 1970s; the political attempts to make that advance compatible with individual security and social stability; and the *laissez-faire* default option, which is acceptance of social and economic dualism. Next, it asks why the destruction of the

Different parts of this paper were presented as lectures or seminars at the London School of Economics (LSE; March 12, 2009), the Deutsches Institut für Japanstudien (DIJ; June 2, 2009), and Harvard University (July 26, 2009). I am indebted to Alexander Schüller and Daniel Mertens for indefatigable assistance with the compilation of the statistical data.

postwar standard employment relationship met with so little resistance, suggesting that one reason was that the rise of flexible employment was intertwined in various ways with a transition to more flexible families. The paper discusses how the two developments – intensified commodification of labor, in particular the increased labor market participation of women, and the de-institutionalization of family relations – may relate to the secular decline of fertility in advanced industrial societies, and how this has tended to make the production of children a public responsibility in some countries but not in others.

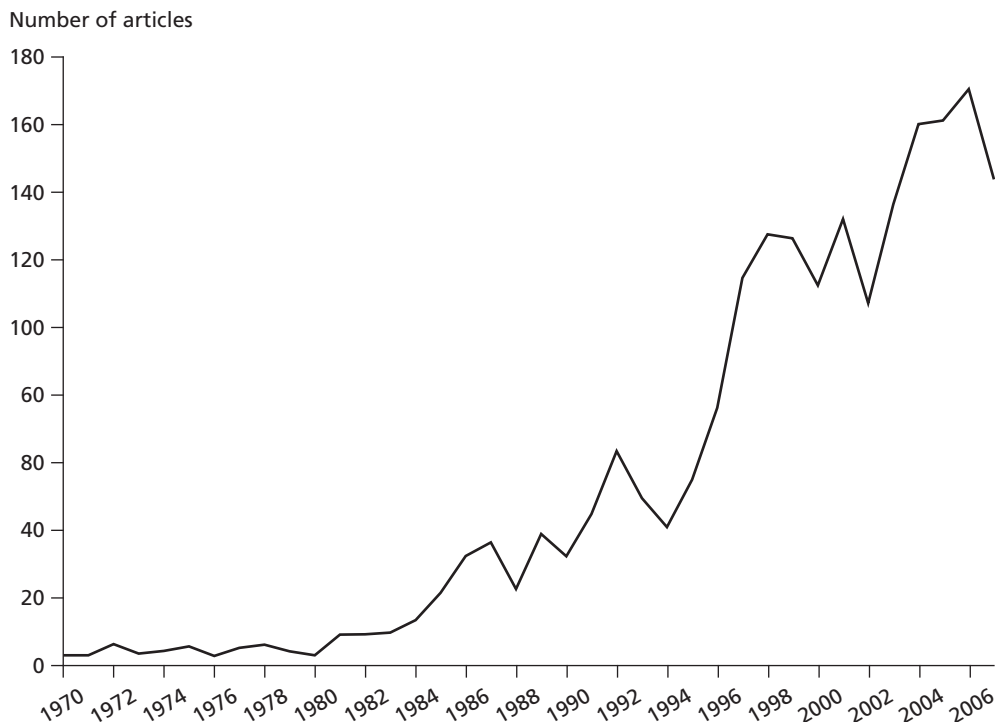
To illustrate the multifaceted nature and the inherent complexity of the relationship between markets, families, social performance and public policy, and to identify issues for further, in-depth research, the paper compares the very different experiences of three countries in particular, social-democratic Sweden, the free-market United States, and Christian-democratic Germany. Among other things, it casts doubt on the now apparently received belief that government family policies can effectively improve reproductive performance, also in comparison to the market-based alternative way of combining high fertility with high female labor market participation that one sees in the United States. It also explores the paradoxically negative impact of the persistence of traditional family structures on fertility as seen, for example, in Italy and Japan.

Finally, the paper concludes with general observations on the costs of markets to societies and states. Active labor market policy and the new family policies in various European countries are discussed as attempts by governments to deploy public policy and public funds to create substitutes for embedded and instituted social solidarity subverted by the progress of marketization. Similar pressures for political compensation of the effects of markets on social structures and their performance were at work in the current financial crisis, which used up public funds at an unprecedented scale to balance potentially crippling dysfunctions of progressive marketization. The paper raises the question of how long governments will be able to afford transferring solidarity from an increasingly market-driven society to public budgets.

1 Flexible employment

The rise of flexibility as a paramount concern in industrial relations and labor market policy began with the decay of the postwar settlement in the 1970s (on the following see Streeck 2008b). As the *Wirtschaftswunder*, the *trentes glorieuses*, the “Golden Age” of the postwar boom faded, the advance of mass production became stuck, and the global monetary regime with the United States as benevolent hegemon broke apart, flexibility began its ascent as a leading objective in the organization of labor markets and employment, as reflected in a rapid increase in the number of articles on the subject in profes-

Figure 1 “Flexibility” in professional journals



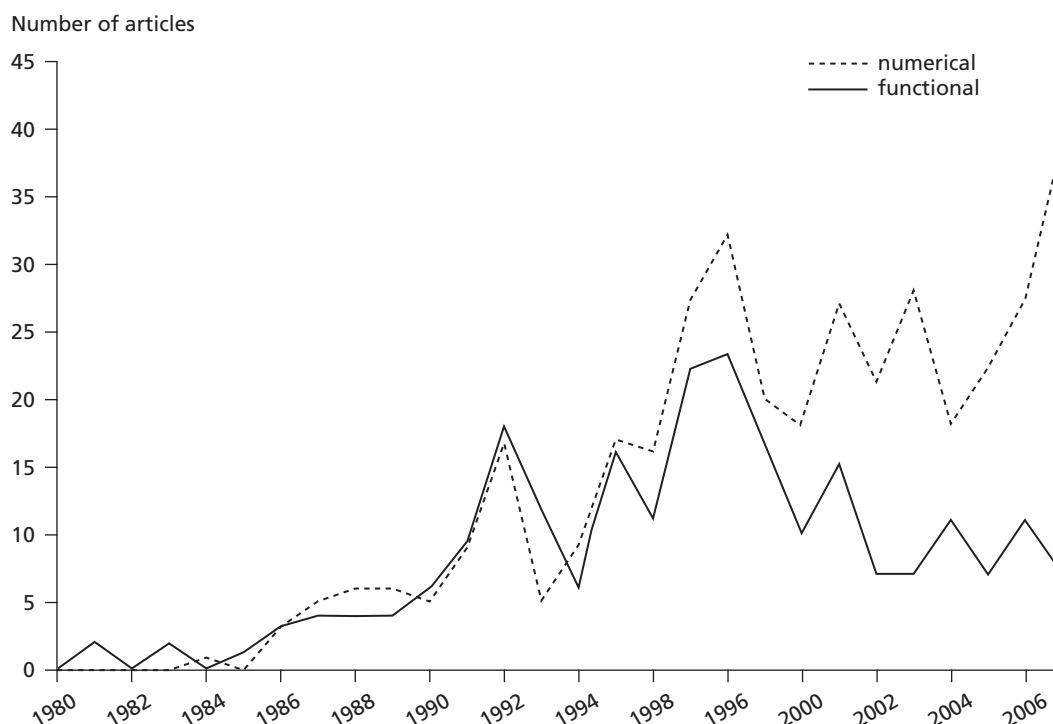
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sional journals (Figure 1).¹ After first appearing in the 1970s, the concept took off in the subsequent decade, and finally became dominant in the second half of the 1990s. Assuming a time span of roughly half a decade between the discovery of a research topic and the publication of first results, the career of flexibility by and large coincided with the historical period during which, according to Andrew Glyn, capitalism once again became “unleashed” (Glyn 2006).

For a while, different versions of flexibility coexisted and indeed competed with one another. When employers and governments began to ask workers to allow them more flexibility and become more flexible themselves, a typical response in countries with strong unions and a broad skill base, such as Germany, was to offer functional, or internal, flexibility in lieu of numerical, or external, flexibility (Streeck 1987). In other words, workers were willing to switch jobs inside their existing workplace on the condition that they were guaranteed continued employment in one form or another, and that employers provided them with the required additional training. Other proposals to avoid external flexibility included more variable working time arrangements, such as yearly working time accounts, and even variable pay. Ultimately, however, all of this seems to have been to no avail. Functional flexibility may have delayed, but could not prevent the arrival of

1 This diagram and the next present the results of a search of data bases such as SocIndex, Business Source Premier and Econlit using EBSCOhost.

Figure 2 Types of “flexibility”



Source: see text.

numerical flexibility – either because its potential was exhausted too soon, or because employers resented the additional efforts, organizational and otherwise, that it required them to undertake, or because of declining trade union power. The way in which flexibility, in the end, came down to a massive re-opening of external labor markets is again reflected in the literature, where a steep decline in the number of articles dealing with functional flexibility was paralleled by the late 1990s by continually increasing interest in numerical flexibility (Figure 2).

Functional flexibility as a socially benevolent alternative to numerical flexibility was associated with “Model Japan” or “Model Germany.” However, neither of these survived the 1990s and the increasingly successful attempts by employers to escape from the social obligations inherited from the 1970s. The success of the worldwide effort to deregulate employment at the end of the century is reflected by the index of the Overall Strictness of Employment Protection Law that the OECD began to calculate in 1990 (Table 1). For the nine selected countries that are of particular interest here, the average value of that index fell from 2.3 in 1990 to 1.9 in 1998, and further to 1.7 in 2003 and 2006. With external flexibility having eventually prevailed over internal flexibility, new national models emerged in Europe that stood for alternative ways for public policy to make the increased commodification of labor socially acceptable, in particular the Netherlands and Denmark. It is in one of these countries that the latest lead concept

Table 1 Overall strictness of employment protection law

	1990	1998	2003	2006
Denmark	2.3	1.4	1.4	1.4
France	2.7	3.0	3.0	3.0
Germany	3.2	2.5	2.2	2.2
Italy	3.6	2.7	1.9	1.9
Japan	2.1	2.0	1.8	1.8
Netherlands	2.7	2.1	2.1	1.9
Sweden	3.5	2.2	2.2	2.2
United Kingdom	0.6	0.6	0.7	0.7
United States	0.2	0.2	0.2	0.2
Average	2.3	1.9	1.7	1.7

Source: OECD.

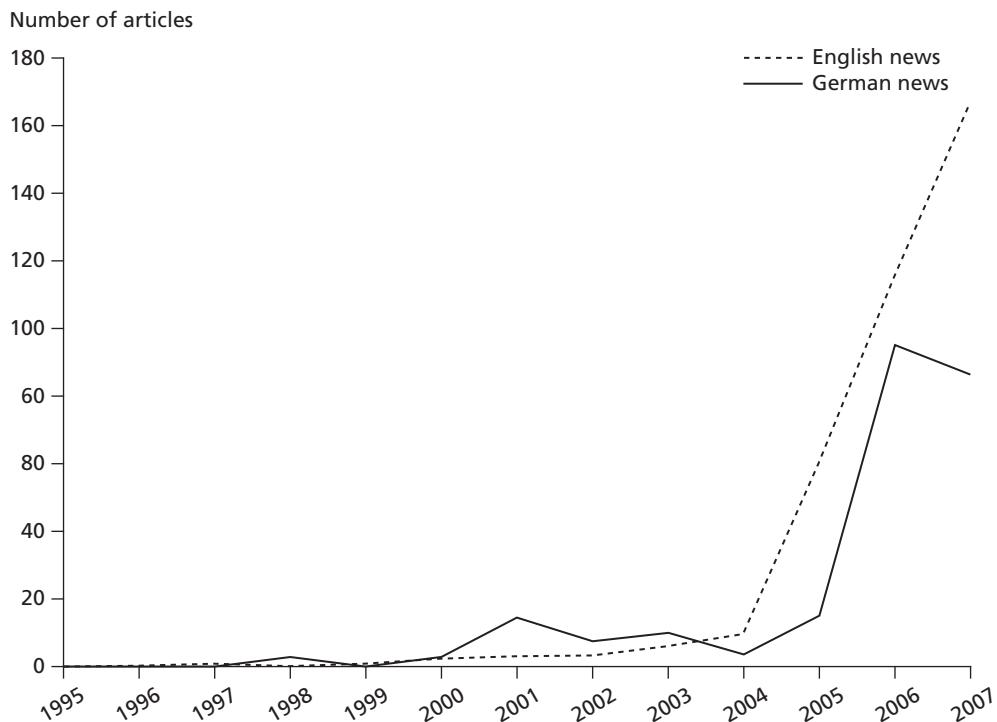
in labor market policy was invented: flexicurity. Its first appearance in the newspapers dates from the late 1990s in both the English and the German press; from 2004 on, it became firmly established as a topic of public interest (Figure 3). A little later, with the usual time lag, flexicurity also became current in scholarly journals.²

As has often been noted, it is not easy to say what flexicurity really means (Viebrock/Clasen 2009) – which makes it ideally suited for all sorts of rhetoric. In light of its origins, we may broadly define it as a form of social security, or protection of social stability, that is intended to be compatible with high turnover and mobility in external labor markets. It may also be described as a set of public policies designed to replace employment security with job security – guaranteeing workers not a given job in a given place of employment, but some job in some place of employment, and if necessary, a rapid succession of jobs. In its more euphemistic self-advertisements, flexicurity aims to replace “old,” “outdated” forms of social security with “new,” more “modern” ones that are allegedly better adjusted to the assumed “needs” of a more competitive and faster-changing economy – with institutions designed to support and embrace rather than prevent more intensive commodification of labor while, it is promised, still protecting workers from the uncertainties associated with it.

Be this as it may, while it is clear that flexicurity involves the dismantling of old forms of protection for workers, there is still much debate and experimentation on what should take their place. The only thing we know for certain is that where flexicurity is intended to mean more than just flexibility, social security systems have to maintain workers at public expense during the frequent if short and temporary spells of unemployment they are expected to accept for the benefit of economic progress. Denmark, where flexicurity seems most advanced, is exemplary in this regard. There is hardly any employment protection in Denmark – at least by continental European standards – which allows employers to hire and fire their workers freely “at will,” making the Danish labor market more market-like than any other labor market on the European Continent. At the same

2 EBSCO host registers 16 scholarly articles on the subject from 2001–2005, and 58 in 2006 and 2007. In other databases, the take-off year for articles on flexicurity is 2005.

Figure 3 “Flexicurity” in the press



Source: see text.

time, unemployment benefits are high, offering workers income security in compensation for little if any job security. Moreover, since high rates of income replacement pose what economists call a “moral hazard,” the government must have the capacity to make workers take almost any job that is offered to them, regardless of pay and location. This requires a powerful and expensive labor market bureaucracy, one that not only has complete information about job openings but also commands effective means to sanction unemployed workers who are unwilling to return to the labor market when told to do so.

It is not surprising, then, that in 2003 the Danish state had to spend an unequaled 4.6 percent of the country’s gross domestic product on labor market policy. About three percentage points went into unemployment benefits, while the rest covered the costs of so-called “active” policies, mostly training and job referral. The other home country of flexicurity, the Netherlands, ranked second in spending among OECD countries, at 3.6 percent. Note that the UK and the United States, the two countries classically associated with flexibility uncompensated by politically provided security – with solidarity vested, if at all, in informal private communities rather than formal public institutions – spent no more than 0.8 and 0.7 percent of their GDP, respectively, on labor market policy. This was roughly as much as Japan (0.7 percent), the traditional country of functional flexibility, where the costs of employment stability are, or used to be, absorbed by employers (Eichhorst et al. 2004: 218).

Table 2 Change in strictness of regulation of regular employment and of temporary employment, 1990–2006

	Regular employment	Temporary employment
Denmark	0.0	–1.7
France	+0.2	+0.5
Germany	+0.1	–2.0
Italy	0.0	–3.3
Japan	0.0	–0.5
Netherlands	–0.5	–1.2
Sweden	0.0	–2.5
United Kingdom	+0.2	+0.1
United States	0.0	0.0
Average	0.0	–1.1

Source: OECD.

Labor market reform in the 1990s was not intended to increase public spending on social security; in fact, in most countries the opposite was the case. This may be the most important reason why flexicurity remained no more than a slogan in most countries and why the meaning of the second element of the concept – for which the “curity” part of the term stands – has remained so vague. In any case, what can be observed is that labor market reform in most countries consisted not of a general shift from old to new forms of employment security, but simply of an expansion of “precarious,” “atypical,” non-standard employment on the fringes of national labor market regimes. The extent to which this was the case can be seen if we calculate the OECD Strictness of Protection Index separately for regular and temporary employment (Table 2). Looking at differences between 1990 and 2006, in the case of regular employment we find on average no change at all for our nine countries, with a decline in just one country balanced by an increase in three countries. In the case of temporary employment, by comparison, protection declined in no less than six countries, with an average decline for all nine countries of 1.1 units.

From the perspective of governments, labor market reform and the increased external flexibility it conceded to employers was intended above all to raise the general level of participation in paid employment while reducing unemployment and dependence on social assistance. In most countries this worked, but in many only at the price of a dramatic increase in precarious employment. The result was a new dualism (Berger/Piore 1980) in labor markets that came to be characteristic of employment systems almost

Table 3 Germany: Atypical employment, in percent

	Part-time*	Marginal*	Temporary*	Total
1997	11.7	4.5	6.3	17.5
1999	13.0	5.9	7.4	19.7
2001	13.9	6.1	7.0	20.1
2003	15.3	6.7	6.8	21.2
2005	16.2	8.4	8.3	23.4
2007	16.4	9.2	8.8	25.5

* Categories may overlap.

Source: Statistisches Bundesamt, 2008: Atypische Beschäftigung auf dem deutschen Arbeitsmarkt, Wiesbaden; own calculations.

Table 4 Germany: Rate of economic activity and weekly working hours, men and women

	Rate of economic activity		Average weekly working hours	
	Men	Women	Men	Women
1970	87.7	45.9	45.2	39.2
1975	83.1	46.4	42.2	35.9
1980	82.5	48.3	42.4	35.2
1985	76.3	47.0	41.4	34.4
1990	78.5	53.8	40.7	31.9
1995	74.7	55.1	40.8	33.1
2000	74.3	57.7	40.6	29.8
2005	73.3	59.5	38.2	27.9
2006	74.5	61.4	38.3	27.8
2007	76.0	63.1	37.9	27.6

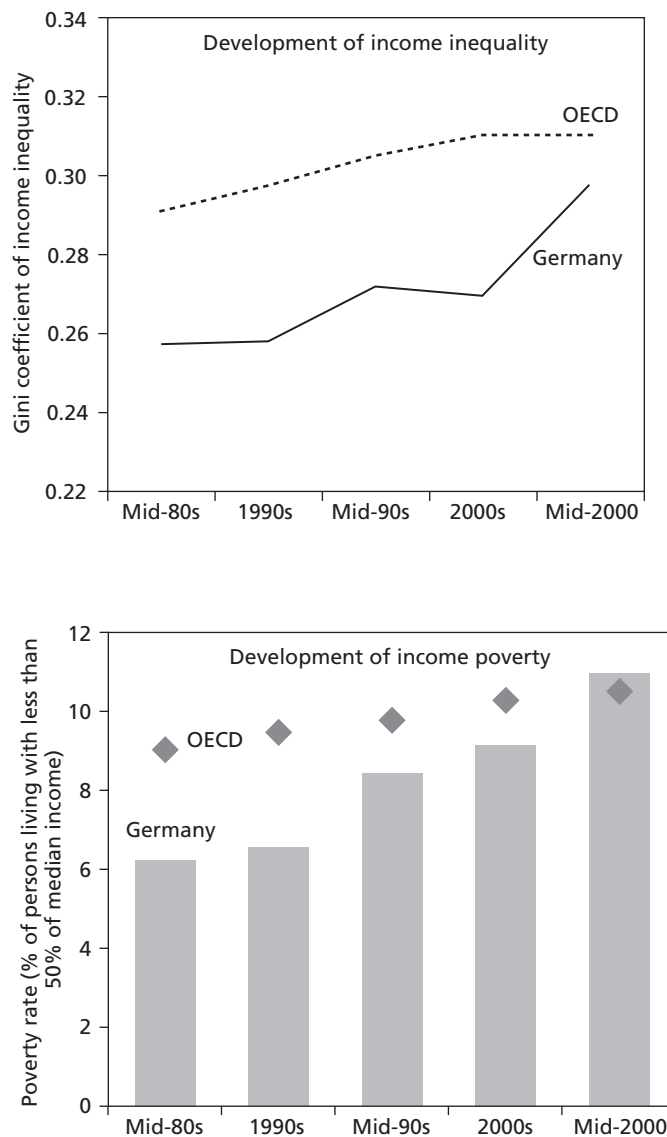
Source: Economic Activity: Statistisches Bundesamt; Working hours: Bundesminister für Arbeit und Sozialordnung. 1990 and earlier: West Germany.

everywhere in the formerly corporatist countries of Western Europe – with flexibility achieved not by the publicly compensated removal of “rigid” protections from incumbents in the primary sector, but by assigning newcomers to a deregulated marginal, secondary sector. In the German case, for example, vitally needed gains in employment were made possible through a policy of “activation,” involving the deregulation of part-time, marginal and temporary jobs and more effective work incentives for individuals previously shielded from market pressures, in the form of shortened unemployment benefits and fewer opportunities for early retirement. Also, which is particularly relevant in the present context, single mothers had often been excused from having to take a job, and were awarded comparatively generous social assistance; this also was sharply curtailed.

As protective regulations were cut back, the result was a sharp rise in atypical employment in the decade between 1997 and 2007, from 17.5 to 25.5 percent of the workforce (Table 3). This was closely associated with steadily increasing employment of women, which paralleled developments in all other countries of the OECD world (Table 4). Female employment grew especially in the years after 2005, when the labor market reforms of the second Schröder government began to take effect. (Male participation rates had slowly declined over the period but picked up again after 2005.) Importantly, average working hours for women fell sharply after the 1970s, much more so than for men, indicating that the increase in female participation took place largely in the form of part-time work and only against resistance – on the part of incumbents in the established employment regime as well as, probably, of women hesitant to commit fully to paid work in formal employment.

In Germany as in many other countries, expansion of employment and the corresponding decline in unemployment was accomplished to a large extent not by a new social policy that compensated individuals and society for the intensified commodification of labor, but by refusing social protection to outsiders and newcomers in the labor market – protections which had in the past deterred employers from taking on new workers while enabling workers to reject offers of what were then considered unacceptable

Figure 4 Germany in the OECD: Income inequality and poverty



Since 2000, income inequality and poverty have grown faster in Germany than in any other OECD country. They increased by more in five years (2000–2005) than in the previous fifteen combined (1985–2000).

Source: OECD, 2008: *Growing Unequal? Income Distribution and Poverty in OECD Countries*, Country Note: Germany.

forms of employment. While liberalization allowed employers more external flexibility in their use of labor, it imposed on a growing number of employees, in particular those not yet established in the protected primary sector, a significant increase in uncertainty about working time, pay, future employment, and career perspectives. Rising employment generated by more flexible labor markets coincided with a sharp rise in unstable and low-wage employment and, subsequently, in poverty – not in the core but in a

growing fringe of the employment system and of society.³ Looking again at the German case, while until the late 1980s, (West) Germany was widely known for having a low wage spread and a low Gini coefficient, especially for a large country, in the early 2000s it rapidly closed the gap to the OECD average (Figure 4). Moreover, income poverty, which had also been comparatively low, began to grow as well in the early 1990s until in the middle of the present decade it, too, equaled the OECD average, which was also rising. Whereas in Denmark, high turnover in a flexible external labor market seems to be compatible with high and relatively equal wages for all, albeit at high public expense, in Germany, where equality had in the past been achieved by publicly subsidized low activity (Streeck 2001), cutbacks in social policy spending caused a widening gap between the low and the high end of the labor market and a growing division in German society.

2 Flexible families

Labor market liberalization involved a profound redefinition of the meaning of social and economic citizenship: from public protection from the market to public activation for the market, combined, perhaps, with public assistance within it. Clearly this must be why the departure from the standard employment relationship proceeded at such different speeds in different countries. Still, it went surprisingly smoothly overall, considering that the standard employment relationship had been the principal protection of workers and their communities against the volatility of free markets, and that it had been only in exchange for such protection that the market economy came to be accepted by the organized working class of the postwar era.

Certainly in part, the ease of the transition was due to the fact that it proceeded only gradually and, at least initially, left the core of the employment regime untouched. But this can be only half the answer. Institutional accounts of labor market flexibility tend to forget that the standard employment relationship of the postwar era supported a particular social structure that had emerged together with it, which was a contemporary variant of the nuclear family. How closely the new type of family was related to the production system of the “Golden Age” is reflected by the fact that it retrospectively came to be called the “Fordist family,” referring to a stable union of husband and wife, with the husband as the single earner and the wife taking care of two or more children. Materially the Fordist family was sustained by a “family wage” that, along with various welfare state benefits, was enough to secure a decent standard of living for all its

3 How core and fringe relate to one another under the new dualism may be regarded as an open question. In the past, the existence of a secondary sector was often seen, famously by Berger and Piore (1980), as functional for the stability of the primary sector. Today it may rather seem that the emergence of a growing fringe tends to undermine the institutions regulating the core, and indeed to eat into it (Streeck 2009).

Figure 5 Divorces per 1,000 inhabitants



Source: Figure 5: OECD Factbook 2009, Economic, Environmental and Social Statistics.

members. Stable employment was an essential ingredient of this package and indeed a central pillar of the newly settled way of life sought by men as they returned from the battlefields, as well as by women coming home from the armaments factories or the military hospitals (Judt 2005). Very soon, one of the emblems of postwar civilization became the “baby boom” of the late 1950s and the 1960s.

Obviously the Fordist family was, in current jargon, highly “gendered,” and this is why already at the time of its invention the concept had a more than slightly derogatory connotation. Keynes had once defined full employment as less than five percent of males between 18 and 65 being out of work. Women were not mentioned, since they were assumed as a matter of course to be in the house and to provide for their families outside the market. It was this world of stable patriarchal families in integrated social communities that someone like Karl Polanyi would have expected to be defended by what he believed was an inevitable “counter-movement” against more than marginal commodification of the fictitious commodity, labor (Polanyi 1957 [1944]). In the view of Polanyi and many of his contemporaries, human beings needed and wanted the security that was offered by a stable society, an indispensable element of which was stable families.

Figure 6 Ratio of marriages over divorces



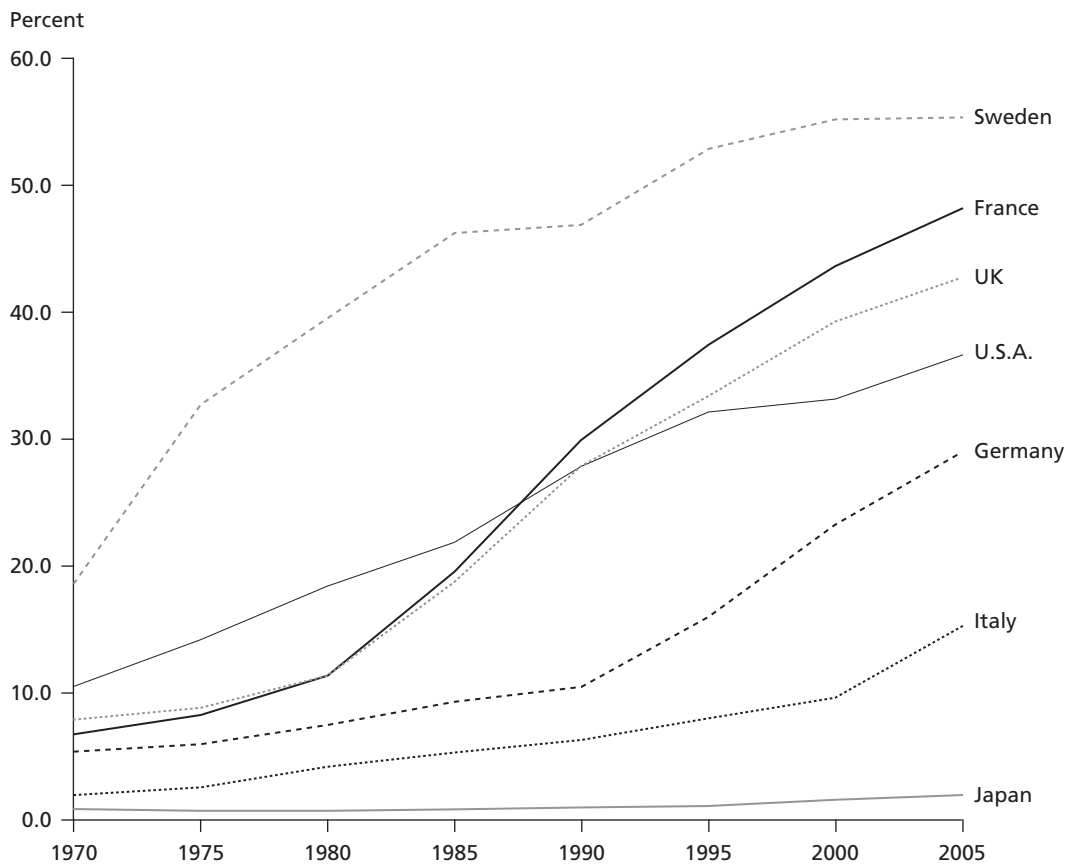
Source: OECD Factbook 2009, Economic, Environmental and Social Statistics; own calculations.

Since such security was incompatible with permanently changing relative prices in self-regulating markets, for labor as well as for its products, a good life for the great majority of people presupposed strong institutions that contained the impact of markets on social life and protected individuals and their families from the destructive dynamism of a modern capitalist economy.

Why was it, then, that no significant resistance arose to stem the trend toward more flexible employment? Searching for an answer one notes that the social and family structure that the standard employment relationship had once underwritten has itself dissolved in a process of truly revolutionary change.⁴ In fact, it appears that the Fordist family was replaced by a flexible family in much the same way as Fordist employment was replaced by flexible employment, during the same period and also all across the Western world. A few select indicators must suffice here. Divorce rates (Figure 5) increased everywhere after the end of the postwar era until they stabilized, at a much higher level, in the mid-1980s. Exceptions were low-divorce countries like Italy and Japan, where the increase

4 The following draws on and expands the argument in Streeck (2008a).

Figure 7 Births to unmarried parents, in percent



Source: OECD Factbook 2009, Economic, Environmental and Social Statistics.

continued, and the United States, where divorce has always been extremely frequent and where it started to decline around 1980. (Still, divorce rates in the United States – incidentally the classical country of “employment at will” – have remained by far the highest in the world.) Moreover, new marriages declined during the same period until the ratio of marriages over divorces converged in six of our seven countries, at roughly 2:1 in the middle of the present decade (Figure 6).⁵

As marriage declined, cohabitation increasingly took its place. In Germany, statistics on cohabitation, which had not been considered worth collecting before 1978, show an increase in the percentage of unmarried couples by a factor of more than six in roughly a quarter of a century, from 2 percent in 1978 to 13 percent in 2005 (Statistisches Bundesamt, own calculations). Since the denominator of the relationship includes all couples, young and old, cohabitation among the younger generation can be assumed to be much

⁵ An exception is Italy, where divorce is still rare, having been not legally possible until well into the 1970s, and to an extent Japan.

Figure 8 Total fertility rates



Source: OECD Factbook 2009, Economic, Environmental and Social Statistics.

more widespread. Simultaneously, births to unmarried parents, which were very rare outside Scandinavia until the 1980s, increased dramatically in almost all countries, from an average in 1970 of 7.5 percent of newborns in our seven countries to no less than 33 percent in 2005 (Figure 7). As a consequence, single-parent families proliferated. In relatively conservative Germany, 27 percent of families with children were headed by a single parent or an unmarried couple in 2005, doubling the figure from the end of the 1970s and, we may reasonably assume, much more than doubling that from the 1960s (Statistisches Bundesamt, own calculations).

Finally, as family ties became progressively less institutionalized through the easier availability of divorce and growing social acceptance of cohabitation as a legitimate alternative to marriage, birth rates fell steeply. All over the Western world, the breakup of the Fordist family-cum-employment regime was accompanied by a rapid decline in the number of newborn children, a process that continued well after reliable contraception and legal abortion had first become available (Figure 8). Being easily the most lasting and least revocable social commitment people can make, having children seems to have appeared to a new generation as increasingly incompatible with the more flexible and unsettled life associated with both more market-driven employment and less binding social relations.

3 Market attractions, market pressures

One explanation, then, for why flexible labor markets became tolerable after the end of the “Golden Age” – contradicting the Polanyian conjecture that the desire for social stability would impose tight limits on the commodification of labor – may be that society, and in particular the family, had itself become more flexible. Cultural change – the spread of non-standard forms of social life – may have paved the way for economic and institutional change, in particular the rise of non-standard forms of employment, with the deregulation of society as a forerunner to the deregulation of the economy. In fact, it seems that the decay of the postwar family was already well under way before employers and economists began attacking the standard employment relationship in earnest. Note that the concept of liberalization may refer not just to an economic process, but also to a social and indeed cultural one, and that shedding social obligations may hold attractions not just for employers in labor markets, but also for individuals in families and communities. Cultural revolutions, like the one in Europe in the late 1960s and early 1970s, do not necessarily require external causes, as there may be enough internal discontent inside a social order to make it change from within. What is deemed a good or appropriate life may change profoundly, not just between generations, but within them as well.

In any case, transition to a more flexible labor market regime after the 1970s does not seem to have been obstructed much by resistance of ideas from the 1960s about a livable society. In fact such ideas seem to have given way with surprising ease to cultural tendencies highly favorable to an expansion of markets, in particular the rise of attitudes and dispositions for which markets are as much an attraction as a threat. With fewer and less binding family obligations, living with less stability and more adventure seems to have become more acceptable in the worlds of work as well as employment. Causal relations are obviously highly complex and seem to work in both directions. The erosion of the standard employment relationship may have made family formation difficult for young people, just as it may offer an excuse for postponing or avoiding altogether entry into binding social commitments, such as marriage and childbearing, which in turn may make it less urgent to look for stable employment. Moreover, cultural definitions of what constitutes and is implied in social relations seem to be important background factors, as suggested by the astonishing parallels in rates of separation in marriage on the one hand and in employment on the other, over time as well as between countries like Japan, Germany and Italy versus the United Kingdom and the United States.

Clearly, the decisive development in this context was the mass entry of women into paid employment, which eventually came to be celebrated across the political spectrum as a long-overdue liberation from servitude in the feudal village of the patriarchal family. Especially for the liberal wing of the rapidly growing feminist movement, the associated increase in economic uncertainty and social instability appeared to be a price worth paying for what was seen as secular social progress. Commodification of labor, once perceived by the Left as a threat to the dignity of the individual and the stability of

society, became redefined as a desirable alternative to a repressive, pre-modern way of life, or at least a necessary answer to a new generation of men who could no longer be relied upon to accept traditional social obligations as husbands and heads of families. It remains a puzzling question how it was that cultural change favoring more flexible social relations and defining uncertainty as a welcome opportunity for personal growth and self-assertion happened just at a time when labor shortages and the resulting wage inflation seriously impeded further economic growth and made employers desperately search for ways of expanding the labor supply.

Economically and politically, female progress in employment had to be achieved in opposition to the Fordist labor market regime, which was soon to be denounced by feminist commentators as a male construction founded on female domesticity and subservience. In Germany, where postwar labor market institutions were more resilient than elsewhere, it took time for the growing number of women attracted, according to the liberal-liberationist narrative, by the freedom of the market to wear down the institutional barriers against employment expansion inherent in the family wage system and a male-breadwinner social security regime. Even here, however, rigid institutions protecting the historical prerogative of males to sell their labor power for money, and sustaining with it the established family system and its “gendered” division of labor, finally had to give. Of course, flexible labor markets open to all, expected to accommodate what was in effect a doubling of the labor supply, could no longer offer the same sort of security and stability as the labor markets of Fordism with their tightly restricted supply. Nor could they continue to pay one worker enough to feed an entire family. But women, the new enthusiastic constituency of open and competitive labor markets, were clearly less concerned about employment security than the sole breadwinners of yesteryear, and they certainly did not require a family wage given that, under the rule of the new individualism, they ideally had to take care of only themselves.

There is, however, another, alternative account of the simultaneous rise of flexible employment and flexible families. Whereas the liberationist story, embraced by feminists as well as by employers enthusiastic about the prospect of a massive increase in the labor supply, emphasizes the attractions of the market for the individual, the alternative, if you will: Polanyian account focuses on the pressures markets exert on society. According to it, beginning in the 1970s stagnant real wages and rising unemployment compelled households to supply more labor to the market to defend their accustomed standard of living. Eroding social protections and the declining efficacy of social rights, caused by intensified competition in product markets and mounting political offensives by employers against the postwar labor regime, increasingly exposed workers and their families to market uncertainties. Consequently they found themselves forced to supplement single-earner incomes by married women taking up employment – part-time where it was available – in order to cope with accelerating industrial restructuring. A side effect was intensified wage competition and pressures on the conditions of employment – or, where these were successfully defended, a trend toward labor market dualism. Among the young generation, formation of stable family relations was post-

poned or abandoned altogether as market uncertainty made entry into a settled life increasingly difficult. One result was and continues to be a growing number of unstable families and single mothers living near the poverty line. Indeed having children, especially more than one, became the most important cause of poverty for individuals as well as for families. Moreover, by the end of the century, rising costs of social protection forced reforms of the welfare state and the labor market designed to push as many of the unemployed as possible, including single mothers, into employment. As all sorts of “atypical,” flexible employment proliferated, so did the pressures on the standard employment relationship at the center of the employment regime.

I will only briefly touch on the question of whether and how the two accounts – of women pushed into employment by economic constraint and welfare reform, or pulled by the prospect of personal liberation – might be reconcilable. For example, while the market attractions narrative probably applies mostly at the top end of the social spectrum, the market pressure account is likely to reflect conditions at the bottom. What may be a welcome adventure for one – the exodus from the Fordist family into flexible markets for both employment and family relations – may be an unpleasant necessity for the other, caused by low wages or unstable family unions. One may also take the liberationist account to be an ideological representation of the structural constraints described by the market pressure or the family dissolution story. While ideologies do reflect reality, they do so selectively in ways that make it appear ideal or inevitable. A glorifying ideological representation of a flexible life and the freedom that comes with it may become hegemonic if the image it projects of the real world appears plausible and attractive to those who dominate public discourse. What may have started as market pressure on households struggling to defend their living standards, or as increasing unreliability of family relations, may in this way gradually translate into a moral duty for women to seek paid employment and prove themselves by earning their living independently in a competitive labor market.

In any case, although it is unlikely that the recommodification of labor after the end of the “Golden Age” was driven by a mass desire for economic adventure, the willingness to defend the postwar social order against the pressures and attractions of the market seems not to have been nearly as strong as someone like Polanyi might have expected. To many, escaping from the Fordist family was more important than defending the standard employment relationship, and their interests coincided in nontrivial ways with those of others who were keen on abolishing the latter for very different, economic purposes. One reason why the labor market regime of the postwar settlement was vulnerable not just economically and, as it were, from without, but also culturally and from within seems to have been the vulnerability of the culture it was supposed to protect to what Boltanski and Chiapello have called the “artistic critique” of industrial society (Boltanski/Chiapello 2005): the claim that life in that society offered little if any opportunity for individual autonomy and personal authenticity. “Artistic” discontent with life in the 1950s and 1960s prepared the way for the cultural megatrend of the second half of the twentieth century, individualization. In the process exit, or the option of exit,

became more highly valued than loyalty – which not only made for more flexible families but apparently also made more acceptable an emerging employment regime that both required and offered more flexibility. At some point in the late 1960s, the prospect of spending one's entire working life with the same employer in the same occupation seems to have begun to appear as confining as life-long monogamy.⁶ In this way, ascendant individualism seems to have both allowed for and required a new quantum leap in the commodification of labor, with many more people than might have been expected turning out to be prepared to enjoy, or at least to know of no alternative to, a much more market-driven way of life as part and as a condition of individual autonomy.

4 The socialization of reproduction

A little later, in the ageing societies of the industrialized world, falling birth rates became a prominent subject of public concern and public policy. In the immediate postwar years, when children were born in large numbers, having children was considered in most countries to be a private affair. An exception was what was at the time the ultimate country of social engineering, social-democratic Sweden. Here, early state feminism went hand in hand with pronatalism and extensive eugenic intervention in reproductive behavior. In Germany, by contrast, Konrad Adenauer, Roman Catholic that he was, became famous for his dictum, "Kinder kriegen die Leute sowieso" ("people have children anyway"). Later, in the 1970s, Helmut Schmidt held the view that "what people do in their bedrooms" had to be of no interest to the government. Clearly, this reflected the memory of Nazi population policies, which made pronatalist state policies taboo throughout the history of West Germany. Today, however, the number of children has become a highly salient political issue even in Germany – the universally accepted principle being that having too few children is dangerous to the health of a society and that therefore the rate of births is a matter of legitimate and indeed urgent public interest.

That children do not fit comfortably in androgynous labor markets has become commonplace in recent years. Nobody doubts that the pressures and attractions of expanding markets have contributed to the dramatic decline of birth rates in recent decades. A family that sells, or must sell, 3,400 "person hours" a year to the labor market has less time to devote to children than one that sells only 1,700 hours. The new social-democratic orthodoxy, where social democracy increasingly includes liberal as well as conservative parties, is public provision of childcare together with a wide variety of other public services, subsidies and incentives designed to make high labor market

6 Coincident with the sexual revolution of the late 1960s and early 1970s, whose traces can be found in the rising divorce rates, it became commonplace to ridicule the "golden watch" employers would award workers when they retired from lifetime service. Its place was taken by the "golden handshake" paid upon dismissal.

participation of women compatible with a high, or at least higher, birth rate (Esping-Andersen 2009; Kröhnert et al. 2008). Various reasons are given for why female employment must be maintained and indeed increased, ranging from modern women, if forced to choose, preferring the freedom of paid employment over life-long bondage to children; to women being compelled by new family structures to earn a living for themselves; to commodifying labor market policies; the disappearance of family wages; increasing consumption standards; and an alleged general need to raise overall labor market participation in order to overcome bottlenecks in the labor supply or secure the continued funding of the welfare state.

Whatever the case may be, we can observe that the physical reproduction of society, long considered a family matter, is rapidly becoming socialized, or nationalized, in a number of countries – as we will see, at high public expense. Here, too, the principle that seems to be at work is that as markets penetrate into social relations and strategic utility-maximizing replaces traditional norm-following, gaps emerge in the social fabric that call for political compensation unless a society is prepared to live with them. Like Danish labor market policy, the new family policies in continental European countries are intended to neutralize the negative side effects of increased flexibility on social life, not only in the case of employment but also in that of family relations. A return to less flexibility, in labor markets or families, is advocated only rarely: Easy divorce and legal abortion are politically sacrosanct,⁷ and an expansion of employment rights or a return to family wages are economically unrealistic. Almost as a matter of course, the state is expected to maintain, at public expense, an infrastructure that facilitates the expansion of market relations and compensates for its social dysfunctions. Here as elsewhere, as rational individualism takes the place of social obligation, states are coming under pressure to provide collective remedies for the demise of traditional cultural norms and normative restraints.

Policy measures aimed at increasing birth rates are not limited to the expansion of free childcare. Governments fear, probably rightly, that childcare alone will not be enough to induce prosperous middle class families in particular, who are used to advanced levels of time-consuming consumption, to accept the sacrifices of income and leisure that come with having children. Several European countries have therefore instituted or are devising new social policies that involve extensive cash transfers to parents, in particular double-career families in, still, stable employment. The idea is to replace a significant share of one of the parents' income during a significant span of time after the birth of a child, so as to make the loss of income associated with caring for a small child – ideally until it can be turned over to a public childcare center – less painful. Although the distributional effects of such policies are highly degressive, as high-income couples re-

7 Contemporary efforts at social engineering undertake to re-educate fathers to share responsibility for child-rearing. However, introducing a cooling-off period in divorce proceedings for couples with small children is deemed too intrusive on individual freedom and seems in any case politically infeasible.

Table 5 Female employment and fertility, 1970 and 2005: Seven countries

		Total fertility rate	
		low	high
Female labor market participation rate	low	<i>Germany 1970 (47/2.03)</i> <i>Germany 2005 (67/1.34)</i> <i>Japan 2005 (61/1.26)</i> <i>Italy 2005 (50/1.32)</i>	<i>France 1970 (47/2.48)</i> <i>← Italy 1970 (29/2.43)</i> <i>France 2005 (64/1.92)</i>
	high	<i>Japan 1970 ↑ (53/2.13)</i> <i>Sweden 1970 → (59/1.94)</i>	<i>U.S.A. 1970 (49/2.48)</i> <i>UK 1970 (47/2.43)</i> <i>UK 2005 (70/1.79)</i> <i>Sweden 2005 (78/1.77)</i> <i>U.S.A. 2005 (69/2.05)</i>

Source: own calculations.

ceive higher benefits than low-income earners or the unemployed, public concern with demography has become strong enough in a variety of countries to generate support for them even among social-democratic parties (see the discussions of Sweden and Germany below). Across the political spectrum, the conviction is spreading that in contemporary societies, spontaneous reproduction is no longer enough, and that having and raising children cannot any more be left to families – or what is left of them – and must become a public responsibility if it is to happen at all.

For some time now, claims have been made that the new social policies are beginning to be effective and that there are first indications of a turnaround in fertility trends in market societies. The OECD, the leading advocate of labor market flexibility and female employment, reports that since the mid-1980s, the correlation coefficient between total fertility and female labor market participation rates in OECD member countries has turned positive, from -0.50 in 1970s to $+0.58$ in 1995 (Ahn/Mira 2002). However, there are good reasons to take this with more than just a grain of salt. Looking at our seven countries, we find that total fertility has increased only slightly in the past decade or two, if at all (Figure 8). Apart from in the United States and, perhaps, France, fertility is still far from having returned to replacement level, which most countries still exceeded in 1970. Pending further examination, this seems to suggest that the reversal in the direction of the correlation between female labor market participation and fertility may have been due, *not* to an increase in fertility in countries with high female employment and few children, but to a continuing decline in fertility in countries with low labor market participation of women and, in the past, many children. Further down, I will discuss a possible explanation for this relationship.

More detailed inspection of our sample of seven countries confirms that matters are far from simple. In particular, it casts doubt on the optimistic expectation that the effects of increased commodification of labor on the physical reproduction of society can easily be compensated by political intervention. In 1970 just as in 2005, Germany ranked low, and the U.S. and the UK high, on both female employment and fertility. Sweden

Table 6 Combined spending on family and labor market policy, in percent of GDP, 2005

	Family policy	Labor market policy	Total
France	3.0	2.5	5.5
Germany	2.2	3.2	5.4
Italy	1.3	1.4	2.7
Japan	0.8	0.7	1.5
Sweden	3.2	2.5	5.7
UK	3.2	0.6	3.8
U.S.A.	0.6	0.3	0.9

Source: OECD Statistics on Social Expenditure; OECD Statistics on Labour Market Programmes.

and Japan were high on employment and low on fertility, and Italy and France low on employment and high on fertility (Table 5). All in all, no relationship between the two variables was in evidence. In 2005, however, there was, as countries were either low (Germany, Italy, Japan) or high (Sweden, the UK, the United States) on both variables, the only exception being France, due to the country's generally low rate of economic activity. That the non-correlation of 1970 was transformed into an almost perfect positive correlation 35 years later was due to the fact that three countries had changed cells: Japan, with a slower increase in labor market participation than the other countries; Italy, due to a precipitous decline in fertility accompanying a doubling of its participation rate – which was originally *very* low and still is *relatively* low – and Sweden, which further increased its already high participation rate of 1970 accompanied by a moderate *decline* in fertility.

In any case, refusing to live with the social problems caused by a market economy may be expensive. In 2005, the high-fertility countries of Sweden, the UK and France spent 3 percent and more of their GDP on family-related social policy programs (Table 6).⁸ Japan and Italy, by comparison, where fertility is low, spent only 0.8 and 1.3 percent. In the off-cells, as it were, we find the United States with high fertility and even lower spending than Japan (0.6 percent) and Germany with low fertility and – moderately – high spending (2.2 percent). I will discuss these two cases shortly.

Expenditure on family policy appears to be highly correlated with spending on labor market policy (Table 6). Countries that spend highly on programs to moderate the social impact of markets, such as France, Sweden and Germany, devote between 5 and 6 percent of their GDP to the two policy areas combined. Japan and the United States, by comparison, largely abstain from intervention and leave it to firms and families, and the forces of the market themselves, to take care of the social dysfunctions of market expansion. Countries that relieve firms and families of social obligations by socializing some of their traditional functions – like the provision of employment security or the

8 More research is needed to determine to what extent the British figure includes spending on general antipoverty measures dressed up as support for families (see the discussion of the American case below). Generally, much fine-tuning has yet to be done in order to establish the exact comparability of national accounts of family as well as labor market policy expenditures.

rearing of children – make life cheaper for market participants and thereby enhance their competitiveness. At the same time, as they convert private obligations into public ones and thereby monetarize them, they become increasingly cash-hungry since they run up public expenses which need to be covered by taxes or borrowing or both. Countries like France – and, even more so, Sweden and other Nordic countries – are under pressure to maintain tax regimes that extract for public purposes a significant share of the income of firms and, even more so, of citizens. At a time of advancing economic internationalization, when markets are expanding beyond national boundaries, this may become increasingly difficult, even in Sweden. Here, high taxation has long been almost self-sustaining, due to the fact that it funds an extraordinarily high level of public employment, which creates a powerful constituency of well-organized public sector employees who are highly motivated to lobby for high public spending.⁹

The Swedish case is instructive for yet another reason. Today, Sweden's total fertility rate, at 1.77, is at the same level as in 1975, which is of course far below the rate of replacement. The rate declined in the 1970s when it fell to 1.68 in 1980; it recovered during the next decade to reach 2.14 in 1990, and declined again sharply in the subsequent decade of liberalization, to 1.55 in 2000. More research will be needed to determine how changes in public spending on family policy were related to the ups and downs in total fertility. Nevertheless, upon inspection, Swedish efforts to make high female labor market participation compatible with high fertility appear less effective than they are sometimes made out to be, given the additional fact that very high spending on families is complemented by highly regulated, family-friendly employment conditions in the public sector, with extensive job protection and generous entitlements to maternity leave and other benefits. If anywhere in the Western world, it was in the Swedish public sector that the general movement toward employment flexibility was checked by effectively organized employees and their allies in government, defending worker and family-friendly employment and working conditions against pressures for liberalization.

9 A constituency that is characteristically “gendered.” Unlike the United States and the UK, high employment among Swedish women is largely public sector employment – just as employment in the Swedish public sector is overwhelmingly female. Swedish-style “state feminism” is sometimes caricatured as women dropping their children at a public childcare center to rush to work at another public childcare center where they take care of the children of the women taking care of their children. Be this as it may, state feminism places at least one person in every household who has a strong personal interest in the government's ability to pay for a large public workforce. Note that Torben Iversen, in a recent paper, suggests that continental European resistance to a Nordic-type welfare state with high rates of taxation might weaken “if women begin to think seriously about their options outside of marriage” (2009).

5 The United States: Low spending, high fertility

As already noted, the United States, and perhaps also the United Kingdom,¹⁰ represent an alternative path to high fertility that differs profoundly from the French and the Nordic approaches – one that works at very low cost to the state, although its social costs may be high. The United States stands out as a country that refuses to collectivize, or socialize, the costs of physical reproduction to compensate for the pressures or attractions of markets, just as it is reluctant generally to accept collective responsibility for the externalities of expanding markets. As it turns out, this is not at all detrimental to national fertility. In fact, the U.S. has by far the highest fertility rate in our sample, despite of the absence of public spending on family support and against the odds not just of high female labor market participation, but also of very long working hours, extreme flexibility of employment, and almost no public entitlements to job protection or maternity leave. All of this makes the United States the polar opposite of Sweden.

How does the United States combine very high labor market flexibility with very high birth rates? In stark contrast to Sweden and France, the American solution is a free market one: to remedy the adverse side effects of the free play of market forces on social performance, it relies on more market forces. American fertility thrives on high social and economic inequality, as brought about by free markets and reinforced by extensive immigration, especially the illegal immigration of low-skilled workers. High income differentials, as are characteristic of unregulated labor markets, enable the gainfully employed and increasingly homogamous middle class to pay for private childcare. At the same time, inequality makes for an ample supply of cheap labor, in particular women from poor families who are often immigrants working illegally. Societies with high inequality are divided, or segregated, not least between those who can afford private services and those who have no choice but to offer them at competitive market prices. (This is, in part, what is often referred to as a “service economy.”) Where market pressures are strong enough, time-pressured two-income couples can, and in fact have to, avail themselves not only of commercialized childcare, but also of commercialized cleaning, cooking, counseling and even shopping, replacing an ever-growing share of what used to be transactions within families based on reciprocity with monetarized market transactions between strangers (Hochschild 1997, 2003). Poverty furthermore contributes to high birth rates in that the poor, in addition to being available to care for the children of the well-to-do, have many children themselves, due to lack of opportunity in labor markets, to traditional ways of life imported from their countries of origin, or both. If their children later fail to meet the demands of a high-technology “knowledge society” because of lack of parental support and an overburdened and underperforming public school system, they are welcome to replenish the low-wage service sector as emerging needs for highly-qualified labor can easily be filled by – this time legal – immigration at the upper end of the social spectrum.

10 See footnote 9.

6 Germany: High spending, low fertility

The German welfare state has long been known for its inefficiency, with high spending producing poor results. One example of this is labor market policy, where Germany spends more than most other countries (cf. Table 6) and still suffers from comparatively high unemployment. This is often explained by the fact that the German welfare state is heavy on transfers and weak on services, not only because public services are difficult to organize in a federal state but also because of a historical impasse between Catholic subsidiarity and social-democratic statism. That impasse tends to force governments to serve two constituencies and their different political philosophies at the same time, doubling the costs of political intervention and preventing the bundling of scarce resources for one coherent approach.

Low fertility came to be recognized as a political problem under the second Schröder government (2002–2005) and attained prominent status under the Grand Coalition that followed it. Driven by the concerns of employers as well as social policy makers over low labor market participation among women, and pressured by a new generation of female voters in urban areas, the Christian Democrats essentially adopted the social-democratic approach, which largely followed the Scandinavian one. Expansion of public childcare to cover all one to three-year-olds will, however, take time and it is not clear, given the precarious condition of public finances, who will be able to pay for it (Streeck 2007). Moreover, traditionalist defenders of familialism, with their strong base in the CDU/CSU, demand that families that raise their children at home, with just one or no parent in employment, be given cash transfers equivalent to the average cost of public daycare provision. Eventually, the government introduced a transfer program for couples with two jobs that replaces two-thirds of one parent's net income if he or she stays at home for up to a year after the birth of a child (*Elterngeld*). Benefits increase with income foregone, up to a cutoff point of € 1,800 a month. *Elterngeld* is paid for two more months if the second parent, usually the father, devotes at least two of the then 14 months of government-paid leave to full-time childcare.

Although the new transfer program is funded in part by cuts in subsidies to low-income families with children,¹¹ and benefits increase with income, the Social Democratic Party (SPD) has unambiguously supported it. To an extent, this may have been because of its feminist appeal, which lies in the use of economic incentives to persuade fathers to expose themselves to first-hand experience in caring for small children. But this cannot explain why the SPD did not object to the new family policy's middle-class bias, which it undoubtedly would have done only a few years earlier. Indications are that underneath the surface of the public discourse – suppressed as yet but already virulent – lies a widely understood ethnic and classist subtext, in particular a deep-seated concern over

11 *Elterngeld* replaces an older transfer program, *Erziehungsgeld*, which excluded middle- and high-income households and paid low-income families a maximum of €7,200 per child, with benefits declining with income.

the fact that a growing share of the children born in Germany, as in other European countries, are born to immigrant families or to women from the lower classes who have little education and, supposedly, intelligence.¹² Such women are increasingly believed to have children only because they have no opportunities in the labor market, or because they prefer to live on transfer payments.¹³ Moreover, their children are considered to be the problem youths – and, later, the unemployed workers – of the future. To avoid a demographic degeneration of domestic human capital and the economic problems that are feared to come with it, even blatantly degressive distributive policies seem to be acceptable today if they promise to motivate the production of “high-quality” children by couples with high intelligence, academic training and good working habits.

Almost two years into the new cash transfers compensating double-earner families for income lost by taking time off to care for a newborn child, the desired increase in the number of middle-class babies has yet to materialize. Immigrants still have much higher birth rates than indigenous Germans, although exact numbers are hard to come by since naturalized citizens are not counted as immigrants. Moreover, German women with limited labor market opportunities and unfavorable consumption prospects continue to choose motherhood comparatively frequently as a traditional alternative to participation in employment. Inevitably, this increases the percentage of children in Germany, still a rich country, that live in poverty. Given the new flexibility of families as well as of employment, it also adds to the number of single mothers entitled to social benefits in spite of the new labor market policies of “activation,” especially if a woman has more than one child and no affordable childcare is available. While the government and the public still consider it urgent that something be done to alleviate child poverty, there are also rising suspicions that higher benefits for children and mothers, even if they are far lower than the benefits paid to the middle class, may make women produce children as a way of securing an income and not having to look for employment at, inevitably, low wages. Here, something like the “welfare mothers” debate in the U.S. may be in the offing, if not in the context of social policy, then in that of family policy and of the still latent but nonetheless widely popular distinction between high-quality and problem children.¹⁴

12 In 2008, 81 percent of German women between 35 and 49 years who had no occupational qualifications had at least one child. For women with a university degree this was true for only 66 percent.

13 While in the middle of the current decade, 91 percent of women with low incomes (less than €10,000) had children, the respective figure for women with high incomes (above €40,000) was only 60 percent. More than two-thirds of households earning less than €2,000 per month reported an increase in household income after birth of a child, while two-thirds of households with an income above €3,000 reported income losses.

14 It is impossible to explore the full complexity of the politics of this matter here. One facet is the future of the public school system. Among the reasons why the German middle class seems to defend segregated schooling today more passionately than ever – in particular, the distinction between *Gymnasium* and *Hauptschule* – is that in comprehensive schools, their children would now be a dwindling minority compared to children from immigrant and lower-class families. Concern over the changed and further changing composition of the young generation would

Will there be more middle-class children once the public childcare system is fully in operation (if it ever is)? Of course, even an increase in fertility to the Swedish level (i.e., based on 2005 figures, from 1.34 to 1.77; Table 6) would be far from bringing German birth rates back to replacement level. Moreover, there are good reasons to doubt that under the conditions of normal capitalism, public policy and social engineering can offer sufficiently effective compensation for the pressures and attractions of markets. The high-stress life of full-time working parents in a tightly organized and highly competitive society like Germany, with its increasingly flexible labor markets, was recently depicted vividly in a study commissioned by the Adenauer Foundation, a policy think-tank associated with the Christian Democratic Party (Merkle/Wippermann 2008). The picture that emerges is that life for the market can be quite consuming, of time as well as energy. Weekend partnerships and long-distance commuting – which have become quite frequent in today's unisex labor markets – are clearly not conducive to having children. Nor is the risk of poverty associated with divorce and subsequent single parenthood. The same holds true for delayed formation of families because of uncertain employment prospects and low income – or, at the other end of the spectrum, the attractions of a professional career and advanced consumption. There also is the decline in individual autonomy that comes with parenthood and partnership, which must appear all the more threatening after the transition from the petty-bourgeois lifestyle of the postwar generation to the *petty-bohemian* way of life of the generation of the 1970s and later.

In many ways, Germany, like probably a number of other countries too, seems uncomfortably poised somewhere in the middle between the United States and Sweden, as well as between Christian-democratic familialism and social-democratic statism. Unless immigration and the dualization of German labor markets continue unabated for another decade – which they might – the supply of low-wage labor along the lines of the American pattern may never be sufficient to enable middle-class parents to purchase the private services they would require for market-based relief from the double duty of work and child-rearing. However, an extension of employment protection and, in particular, public sector employment similar to the Swedish model, which would also make work and family easier to combine, seems even less likely. Most women in Germany, as in most other countries outside Scandinavia, work in the private sector, where the trend has been and continues to be toward flexibility rather than security. Movement in the Swedish direction would amount not to the further commodification of labor, but to a return to decommodification – to less rather than more flexibility – which was clearly not the idea when postwar capitalism began to liberate itself from the constraints of the standard employment relationship.¹⁵

perhaps abate if the middle class, like their counterparts in most urban centers of the United States, were to opt out of the public school system and send their children to private schools.

- 15 That the key to combining high fertility with high female employment may lie in the conditions of employment, and only to a much lesser extent in the provision of childcare, might be a lesson we could learn from the former GDR. In 1965, fertility rates began a steep decade-long decline in both East and West Germany, and were in fact practically identical for the two countries.

7 Winding up the family

A final facet of the complex relationship between labor market flexibility, family structure and fertility is that today's birth rates covary strongly, and strongly positively, with the rate of single motherhood at birth. In fact, if there is any one influence that, in our sample of seven, accounts for high fertility, it is not high government spending on family policy but the rate of illegitimacy (Table 7). This holds true across both the free-market Anglo-American countries and the state-feminist countries of France and Sweden. No such relationship existed in 1970.¹⁶ Moreover, when we plot the increase in illegitimacy between 1970 and 2005 against the decline in fertility during the same period, we find that the number of children declined least in countries where giving birth outside formal marriage was or was becoming more common (Figure 9).

Table 7 Rates of unmarried parenthood in percent, by family policy spending and total fertility rates, 2005

	Total fertility	
	low	high
Low spending	Japan (2.0) Italy (15.4)	U.S.A. (36.8)
High spending	Germany (29.2)	UK (42.9) France (48.4) Sweden (55.5)

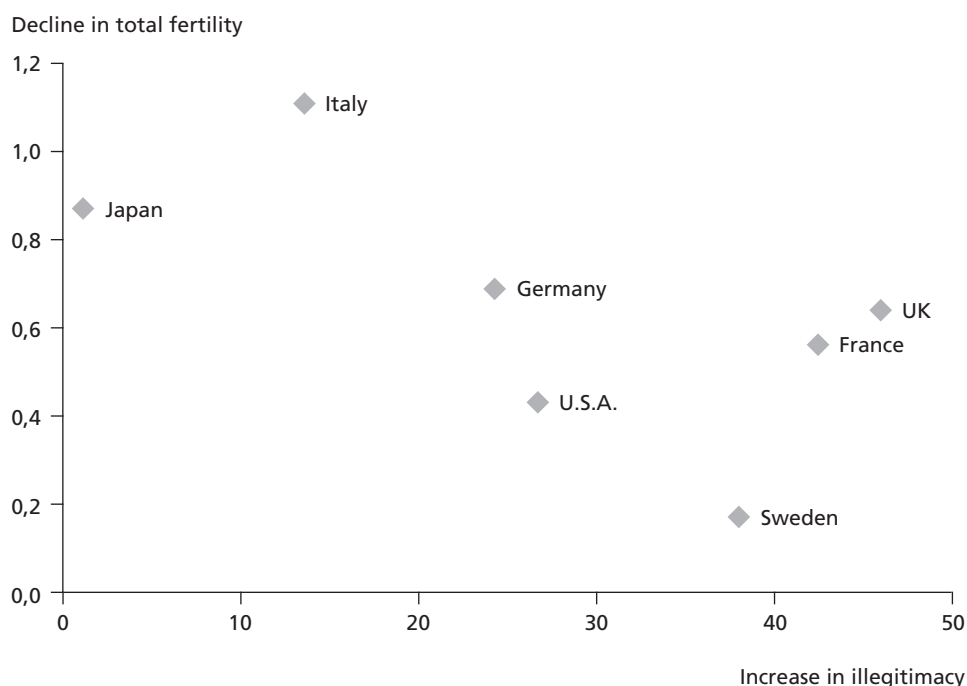
Childbirth outside marriage indicates less formally institutionalized – and, one would think – less stable and secure family relationships.¹⁷ Illegitimacy is likely to have different meanings for lower-class and middle-class women, particularly in a country with a polarized social structure like the United States. In the lower classes, men may be his-

While in West Germany they remained low, however, in East Germany they increased sharply beginning in 1975, from about 1.5 to about 2.0 five years later. This was clearly in response to a government program that offered mothers long periods of fully paid leave in case of childbirth and an unlimited and unconditional right to return to their former jobs. Leave periods could be combined *ad libitum* as more children were born. In addition, families could pay back sizeable government loans by having a certain number of children (a practice that came to be referred to, in untranslatable German, as “abkindern”). Although East German fertility slowly declined again in the 1980s, it remained above the West German level until unification. Thereafter, with employment having become endlessly more “flexible,” East German fertility rates dropped far below the West German level for an entire decade, even though childcare facilities continue to be in abundant supply in the East for traditional reasons.

16 At that time, Italy and Japan, where almost no children were born outside of marriage, had high or medium-high birth rates whereas Sweden, with a very high rate of illegitimacy by the standards of the period (18.6 percent), had the lowest fertility rate of the seven countries (which at 1.94 was above the country's current, relatively high fertility rate).

17 Countries with low illegitimacy (Italy and Japan) also have low divorce rates. The United States has medium-high illegitimacy combined with very high rates of divorce.

Figure 9 Decline in fertility by increase in illegitimacy, 1970–2005



torically or culturally unwilling to make lasting commitments to a wife, whereas in the middle class of today women as well as men may prefer their personal independence. Furthermore, while in the lower classes men may be unable to support a family economically, middle-class women may no longer be in need of male economic support, as entering the labor market has enabled them to live, and even raise children, on their own. In any case, the evidence clearly seems to refute the Polanyian conjecture that less stable family structures should deter women from having children. In fact, today the opposite seems to be true: Societies that expect women to enter into a formally institutionalized family relationship before having a child – societies which still cling to what is now called “familialism” – may be putting up too high a threshold for having children, for which they pay with comparatively low birth rates. Unlike in the 1960s, women at the beginning of the twenty-first century have more children in countries where cultural norms and social, economic and legal conditions enable them to have them outside of formal marriage and, if necessary, bring them up as single mothers.

The policy implications of this would seem to be profound. Whatever new forms of social stability and security a society may want to provide to its members in order to increase its birth rate, they cannot be conditioned on the restoration of traditional relations of solidarity within traditional families. Very likely, they must contribute to their further erosion.¹⁸ After the cultural sea change of the 1970s, a growing number of wom-

18 This seems to be the fundamental problem of Christian-democratic family policy – and the most important difference between family policies in countries like Germany, Italy and Japan on the

en in today's more individualistic societies obviously find it easier or are more willing to have children by themselves than to enter into formal marriage. In societies where having a child is normally expected to be preceded by marriage – as it apparently still is in Italy and Japan – women who do not get married, for lack of a willing and suitable partner or because they want to maintain their independence, remain more or less voluntarily without children. Across a wide range of countries, marriage seems to have become a commitment that is increasingly difficult for women to make – and, as indicated by rising rates of illegitimacy, increasingly more difficult than bringing up a child outside marriage. This is especially true in social environments where childbirth “out of wedlock” is no longer socially disapproved of and is in fact supported by government policies, for example through broad provision of childcare and generous child allowances. Countries that want to raise their birth rates, that is to say, can no longer afford to wait for men to be willing to become husbands, or for women to become wives; instead they must find ways to make reproduction independent from this happening. This requires a social policy that offers encouragement not to the formation of families, but to single motherhood, by making it possible for women to combine having children, not just with a job, but also with the individualistic way of life for the sake of which many of them have chosen to enter the labor market in the first place.

8 More market, more state?

Mending the holes advancing markets have torn in the fabric of mutual obligations and social solidarity inherited from precapitalist traditions or from organized capitalism can be expensive.¹⁹ Employment and family relations seem to be subject to the same logic in this respect, and so are, apparently, relations of credit. Where rational egoism is allowed or indeed invited to supersede traditional social obligations of employers to provide workers with security in addition to pay, and society is not willing to live with the consequences, political restoration of solidarity requires high public spending on labor market policy to compensate workers for their loss of industrial or organizational status. Furthermore, if societies consider their physical reproduction important, even though family obligations have been destabilized by the pressures and attractions of markets, unpaid informal labor inside families must be replaced with paid labor, either in the private sector or, if the conditions and consequences of this are unwelcome, in the public sector. Similarly, in the 2008/2009 financial crisis, when the erosion of traditional restraints on profit maximization in the money-making industry undermined creditors' confidence in the capacity of debtors to live up to obligations engineered with the help of ever more complex financial technologies, the state had to take promises of

one hand and Sweden, where the bourgeois family was dispensed with early on, on the other.

19 A similar argument has recently been developed by Jens Beckert, in a paper felicitously titled “Die Anspruchsinflation des Wirtschaftssystems” (2009).

repayment that had become “toxic” upon itself, at enormous expense, and restore the functioning of money markets by deploying its unique resource, public authority, to assume the role of society’s debtor of last resort.

The exact mechanism by which markets may become materially demanding on societies has yet to be spelled out. Apparently as markets expand, traditional solidarity embedded in informal social relations is eroded, often resulting in governments trying to replace it with formally instituted solidarity, or social obligations, through legal regulation. Further progress of marketization, however, tends to weaken the legitimacy and effectiveness also of formal institutions as well. As employers clamor for the right to fire workers more freely, and husbands and wives for the right to fire each other, governments come under pressure to liberalize regulatory regimes and soften whatever obligations they may have instituted to strengthen or replace embedded solidarity. At this point, governments may find themselves facing demands to replace instituted reciprocity with state-provided, or socialized,²⁰ solidarity – deploying their policy-making powers to provide society with substitutes for functions an increasingly market-driven social structure can no longer perform. As social solidarity becomes a matter of state provision, it typically becomes monetarized and requires public money.

The paradoxical conclusion seems to be that the spread of markets may give rise to growing demands for public support and political intervention, in the form of a transfer of an ever-growing number of social functions from informal relations of “embedded” mutual obligation to public institutions and, finally, public services, provided that and as long as a society refuses to submit itself completely to the “free play of market forces.” As we have seen, however, the costs to public budgets of neutralizing the socially destabilizing effects of markets may be substantial, and indeed puzzles and contradictions abound in the policies and politics of reconstructive state intervention. For example, increases in regional mobility in labor markets and in female labor market participation, as promoted by OECD governments today, are not easily compatible with families assuming responsibility for caring for the growing number of elderly, which governments also promote. As labor markets become more flexible, pressures for care for the elderly to be provided publicly inevitably arise. Another case is the recent decision by the German Constitutional Court restoring an expensive tax benefit for commuters (the *Pendlerpauschale*) that the Grand Coalition had terminated in its effort to balance public spending. While the government could have passed fresh legislation to overrule the court, it realized that cutting the benefit was difficult to combine with a labor market policy requiring workers to commute over long distances if employment near their home was not available.

In a capitalist market society, an obvious way of funding public spending to compensate for the destructive side-effects of marketization is further marketization and commodification of social relations, which causes the money economy and with it the tax base to

20 The German word, of course, is *verstaatlicht*; unfortunately it has no equivalent in English.

grow. For example, increasing women's participation in the labor market seems to be the only way in Germany today to secure the public revenue needed to keep the social security system afloat. Like a vicious circle, however, the cure may exacerbate the disease in that it adds to the problems that social policy must address. In fact, a now frequently-asked question is how long the states of social-democratic capitalism will continue to be able to foot the bill for the reconstructive interventions that are expected of them, especially when public debt finally assumes the astronomic dimensions that it can be expected to assume once the current financial crisis is over.

In recent years, family policy was the big growth item in public budgets, along with education, where much money was spent, with little overall success, on adapting schools to a new type of family lacking the time or the skills to offer much assistance to children and teachers. Today European governments are supposed to rescue not just banks from insolvency, but also children from the poverty associated with single parenthood or divorce. They also are to create incentives of all kinds for middle-class families to produce more offspring; to re-educate men to accept responsibility for their children; to provide meals at school to a growing number of children who do not receive meals at home because their parents are too busy or too poor or both – not to mention pressuring mothers and fathers to participate in the labor market, if need be for very low wages supplemented, of course, out of public coffers. Clearly there is little reason to expect the state to disappear as markets become more market-like, and social structures more market-driven. But there is very good reason to ask whether and under what conditions governments will continue to afford accepting responsibility for the growing costs to society of the private pursuit of advantage in ever freer markets. Is it as likely as it sometimes seems that as markets keep expanding, welfare states will eventually have to surrender and abandon the future of societies entirely to the logic of market relations?

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